

**AGENDA SUMMARY PAGE**

**AUDIT OVERSIGHT COMMITTEE MEETING OF: APRIL 19, 2007**

**DEPARTMENT: CITY AUDITOR'S OFFICE**

**DIRECTOR: RADFORD SNELDING**

☐ Consent ☒ Discussion

**SUBJECT:**

Report and possible action on sales tax for non-city sales

**Fiscal Impact**

☒

No Impact

☐

Augmentation Required

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Budget Funds Available

**Amount:**

**Funding Source:**

**Dept./Division:**

**PURPOSE/BACKGROUND:**

The City has sold bottled water at Dula Gym for a service organization. The Committee asked for a report on potential sales tax liability of the City.

**RECOMMENDATION:**

Accept the report.

**BACKUP DOCUMENTATION:**

None

Motion made by PAUL WORKMAN to Approve and accept the report on sales tax for non-city sales

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

JOSE TRONCOSO, LARRY BROWN, MICHAEL W. KERN, PAUL WORKMAN; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-STEVE WOLFSON)

**Minutes:**

Mr. Snelding reminded the committee that the issue was raised after it was discovered that the staff of Dula Gym was selling bottled water on behalf of a non profit agency. The question raised was could the City be liable for collecting and transmitting sales tax. He introduced Mr. Phillip Marmurowski to present his report on the City's liability. Based on the work performed, Mr. Marmurowski felt a good case could be made that the City would not have to collect and remit sales tax to the State of Nevada on a non exempt item if it was the selling agent for a filed and approved not for profit organization. The City would have to collect sales tax if it acted as the selling agent for a for profit business or organization and not selling an exempt item.

Chairman Kern indicated he was also concerned that the City may be incurring unnecessary sales or use tax in other ways such as contractors purchasing materials and passing the tax onto the City. He suggested raising awareness among those dealing with construction, when contractors

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or subcontractors come up short on building materials. Vice-Chairman Brown asked if the City would be liable for any sales tax when building projects such as parks.

Mark Vincent, Director, Finance and Business Department, stated that as the City partners with other businesses and agencies, this issue comes becomes more of a concern. In addition to the water sales issue at Dula Gym, there was a similar situation during the Tennis Channel event. He assured the committee that the Finance Department will continue to monitor and scrutinize all contractor and subcontractor invoices to be sure we are not being charged sales tax.

